



441 G St. N.W.
Washington, DC 20548

January 30, 2014

The Honorable Chuck Hagel
Secretary of Defense

Management Report

Imminent Danger Pay: Actions Needed Regarding Pay Designations in the U.S. Central Command Area of Responsibility

Dear Secretary Hagel:

In December 2012, we notified you that we would be reviewing the Department of Defense's (DOD) posture in the Middle East and Southwest Asia.¹ As part of this review, we have examined posture costs in the U.S. Central Command (CENTCOM) area of responsibility, including special pays such as imminent danger pay and benefits for service members who are assigned, deployed, or on temporary duty travel. Service members are eligible for imminent danger pay for duty in a designated foreign area in which they are subject to the threat of physical harm or imminent danger for reasons such as terrorism or war.² We are sending this report to provide timely information on our assessment of DOD's process for reviewing and making decisions on imminent danger pay area designations in the CENTCOM area of responsibility. Meanwhile, we are continuing our review of DOD's posture in the Middle East and Southwest Asia and will include the issues raised in this report and any actions that you take to resolve them, along with any findings that we present in our final report.

To assess DOD's process for reviewing and making decisions on imminent danger pay area designations in the CENTCOM area of responsibility, we collected and analyzed imminent danger pay and family housing cost data in the CENTCOM area of responsibility from the military departments for fiscal years 2010 through 2013. These costs are in nominal dollars, not adjusted for inflation. To assess the reliability of the data, we interviewed cognizant DOD officials regarding the accuracy of data entry, limitations of the data, and the results of previous audits conducted on the data systems

¹The source of this review is the Senate Appropriations Committee Report that accompanied the Military Construction and Veterans Affairs and Related Agencies Appropriations Bill, 2010. See S. Rep. No. 111-40, at 12-13 (2009).

²Department of Defense Instruction 1340.09 defines "imminent danger pay designated areas" as foreign areas in which uniformed service members are on duty and are subject to the threat of physical harm or imminent danger on the basis of civil insurrection, civil war, terrorism, or wartime conditions, as determined by the Principal Deputy Under Secretary of Defense for Personnel and Readiness. See Department of Defense Instruction 1340.09, *Hostile Fire Pay and Imminent Danger Pay* (Apr. 20, 2010) (hereinafter cited as DODI 1340.09 (Apr. 20, 2010)).

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used. We determined the data were sufficiently reliable for the purposes of our review. We also obtained, reviewed, and compared DOD Instruction 1340.09, *Hostile Fire Pay and Imminent Danger Pay with Standards for Internal Control in the Federal Government* to evaluate the Office of the Under Secretary of Defense for Personnel and Readiness's process for reviewing imminent danger pay designated locations within the CENTCOM area of responsibility.³ Further, we interviewed officials and obtained documentation from the Office of the Under Secretary of Defense for Personnel and Readiness and CENTCOM about the current review of imminent danger pay designated locations within the CENTCOM area of responsibility.

We conducted this performance audit from December 2012 to January 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

The military services have obligated about \$1 billion for imminent danger pay since 2010, but after completing a review in 2007, DOD had not completed its subsequent review of whether imminent danger pay is still warranted in the CENTCOM area of responsibility as of December 20, 2013—when we provided the department a draft of this report. On the basis of an analysis of data we received from the military services, we found that DOD obligated approximately \$1.02 billion in imminent danger pay from fiscal years 2010 through 2013 in CENTCOM's area of responsibility, excluding Afghanistan.⁴ The annual amount declined from \$426 million in fiscal year 2010 to \$94 million in fiscal year 2013. In June 2011, the Office of the Under Secretary of Defense for Personnel and Readiness requested that the Director of the Joint Staff ask the geographic Combatant Commands to assess existing imminent danger pay areas.⁵ Approximately 18 months after the June 2011 request, in January 2013, CENTCOM submitted its assessment and recommended terminating imminent danger pay designations in many locations within its area of responsibility, a recommendation that

³Department of Defense Instruction 1340.09 and GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

⁴Army, Navy, and Marine Corps officials provided obligations data for imminent danger pay from fiscal years 2010 through 2013; Air Force officials provided expenditure data but stated that these totals would not be materially different than the obligation totals for fiscal years 2010 through 2013.

⁵Department of Defense, Office of the Under Secretary of Defense (Personnel and Readiness) Memorandum for Director, Joint Staff, *Review of Designation of Foreign Locations as Imminent Danger Areas for Imminent Danger Pay (IDP) Purposes* (June 24, 2011).

the Joint Staff endorsed in March 2013.⁶ However, the Office of the Under Secretary of Defense for Personnel and Readiness did not act on CENTCOM's recommendations as of December 20, 2013, when we provided DOD a draft of this report. DOD's current guidance on imminent danger pay—last revised in April 2010—does not specify the frequency with which periodic reviews must be completed, nor does it stipulate a time frame by which the Office of the Under Secretary of Defense for Personnel and Readiness should render a final decision regarding the findings of the review. Prior to 2010, the guidance required the Combatant Commanders to appraise continually the conditions in designated areas and make written recommendations on those designations at least annually.⁷ However, the revised 2010 guidance requires the Combatant Commanders to monitor conditions within imminent danger pay areas and to “promptly” forward written recommendations on those designations. It also called on them to provide imminent danger area assessments “in response to the periodic request” of the Principal Deputy Under Secretary of Defense for Personnel and Readiness without specifying how often this would occur.⁸ DOD officials stated that they did not include a specific time frame in their guidance because they wanted to provide themselves flexibility for reviewing imminent danger pay designated locations only when the conditions in those locations changed. *Standards for Internal Control in the Federal Government* highlights, among other things, the importance of management-led reviews and clear policies and procedures as well as assurance that the findings of reviews are promptly resolved.⁹ In the absence of clear procedures and policies specifying time frames for the Office of the Under Secretary of Defense for Personnel and Readiness to complete reviews of imminent danger pay area designations and render a final decision, DOD is spending millions of dollars annually for imminent danger pay in areas within CENTCOM's area of responsibility that may not warrant this designation and at a time of increasingly austere defense budgets. Thus, we are recommending that the Secretary of Defense require the Under Secretary of Defense for Personnel and Readiness to expeditiously complete the current review of the imminent danger pay area designations and render a final decision. In commenting on a draft of this report, DOD concurred with our recommendation and subsequently completed its review on December 31, 2013. As a result, the department announced the end of imminent danger pay designations for several locations—including locations in the Middle East

⁶Department of Defense, U.S. Central Command Memorandum for Under Secretary of Defense (Personnel and Readiness) and Chairman, Joint Chiefs of Staff, *United States Central Command (USCENTCOM) Area of Responsibility (AOR) Entitlements Recommendations* (Jan. 24, 2013); Department of Defense, Director, Joint Staff Memorandum for Under Secretary of Defense (Personnel and Readiness), *United States Central Command Area of Responsibility Entitlements Recommendations* (Mar. 1, 2013). In the interim, CENTCOM had submitted several assessments recommending no change, pending further review.

⁷See Department of Defense Instruction 1340.9, *Special Pay for Duty Subject to Hostile Fire or Imminent Danger*, para. 5.3.2 (Apr. 10, 1992) (superseded and canceled by the April 2010 issuance).

⁸See DODI 1340.09, encl. 1, paras. 4.b and 4.c (Apr. 20, 2010). See also *id.*, encl. 2, para. 3 (requiring Combatant Commanders to complete assessments “[a]t the periodic request” of the Principal Deputy Under Secretary of Defense for Personnel and Readiness).

⁹GAO/AIMD-00-21.3.1.

and Southwest Asia—as of June 1, 2014.¹⁰ DOD officials subsequently stated that they estimate that this action would save about \$150 million per year based on 2014 deployment levels. In addition, we are recommending that DOD direct the Under Secretary of Defense for Personnel and Readiness to revise its guidance on imminent danger pay to include specific time frames for completing periodic reviews of imminent danger pay area designations. DOD did not concur with this recommendation. The department stated that a timeline for the Office of the Under Secretary of Defense for Personnel and Readiness to render a decision should not be arbitrarily mandated. We understand that DOD seeks flexibility in such programs but it has been nearly 6 years since DOD last made such a determination. We continue to believe that setting a periodic deadline for completing reviews of imminent danger pay is warranted to avoid potentially costly delays in decision-making.

DOD Had Not Completed its Ongoing Review of Imminent Danger Pay as of December 20, 2013

DOD has obligated more than \$1 billion in imminent danger pay from fiscal years 2010 through 2013 in CENTCOM's area of responsibility, but the department had not completed a review of imminent danger pay designations from 2007 through December 20, 2013, when we provided DOD a draft of this report. Prior to this most recent review, DOD had reviewed imminent danger pay area designations six times since 1992, with the last one having been concluded in 2007. Table 1 shows imminent danger pay obligations, by military service, in CENTCOM's area of responsibility for fiscal years 2010 through 2013.

Table 1: Imminent Danger Pay Obligations in CENTCOM's Area of Responsibility (Fiscal Years 2010 through 2013)

Dollars in thousands

Service	FY 2010	FY 2011	FY 2012	FY 2013
Army	295,739	235,194	77,199	32,860
Navy	61,780	52,344	28,161	20,686
Air Force	58,582	59,529	41,517	36,266
Marine Corps	10,013	2,709	2,501	4,318
Total	426,114	349,776	149,378	94,130

Source: GAO analysis of DOD obligations data. These data are in nominal dollars, not adjusted for inflation.

In June 2011, DOD initiated a review of imminent danger pay when the Principal Deputy Under Secretary of Defense for Personnel and Readiness issued a memorandum requesting that the Director of the Joint Staff ask the geographic Combatant Commanders to undertake and complete an assessment for each imminent danger area designated within their areas of responsibility and to forward those assessments along with Joint Staff recommendations by July 31, 2011.¹¹ In September 2011,

¹⁰Department of Defense, Under Secretary of Defense (Personnel and Readiness) Memorandum for the Assistant Secretaries of the Military Departments for Manpower and Reserve Affairs and Director, Defense Finance and Accounting Service, *Imminent Danger Area Designations* (Dec. 31, 2013).

¹¹Office of the Under Secretary of Defense (Personnel and Readiness) Memorandum (June 24, 2011).

CENTCOM issued a memorandum to the Chairman of the Joint Chiefs of Staff and Under Secretary of Defense for Personnel and Readiness, requesting to maintain the current imminent danger pay designations until it could complete a more comprehensive review.¹² Subsequently, in June 2012, CENTCOM issued a memorandum to the Director of the Joint Staff recommending no changes, but indicated a reexamination would be made later that year.¹³ Then, on January 24, 2013, the Office of the Under Secretary of Defense for Personnel and Readiness received updated recommendations from CENTCOM and on March 1, 2013, received the Joint Staff's endorsement of CENTCOM's updated recommendations.¹⁴ According to DOD officials, the other geographic combatant commands submitted their recommendations by June 2012. However, as of December 20, 2013, DOD had not yet completed its review of imminent danger pay designations. DOD subsequently completed its review of imminent danger pay designations on December 31, 2013 after we sent a draft of this report to DOD for review. Specifically, the Under Secretary of Defense for Personnel and Readiness issued a memorandum to the Assistant Secretaries of the Military Departments for Manpower and Reserve Affairs and the Director of the Defense Finance and Accounting Service recertifying and terminating imminent danger pay area designations worldwide.¹⁵ In figure 1, we depict the timeline of DOD's review of imminent danger pay in CENTCOM's area of responsibility up to the point at which DOD issued a memorandum in December 2013 recertifying and terminating imminent danger pay designations worldwide.

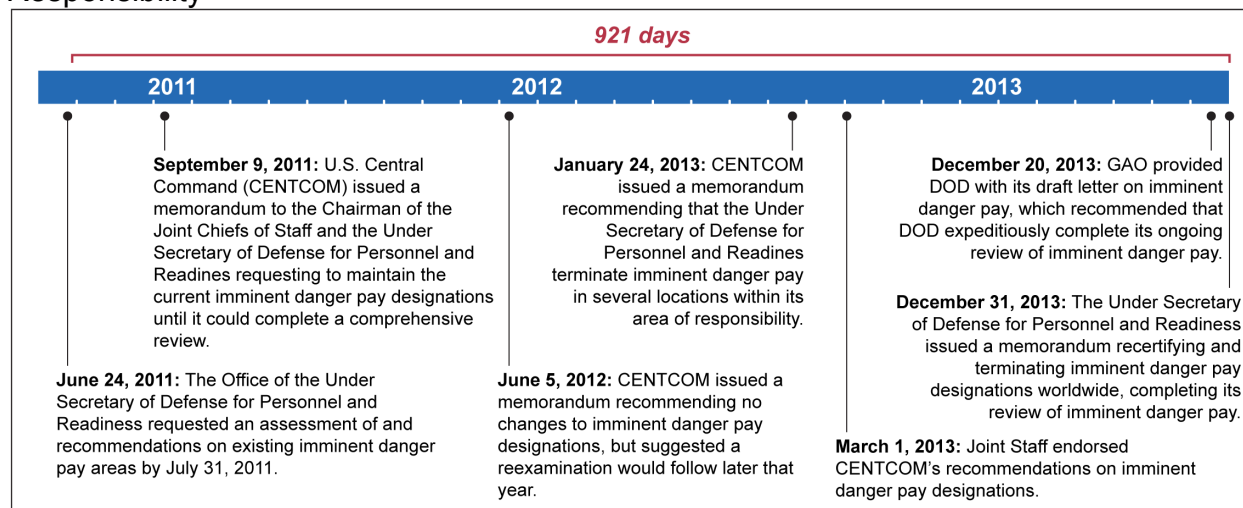
¹²Department of Defense, U.S. Central Command Memorandum for Chairman, Joint Chiefs of Staff and Under Secretary of Defense (Personnel and Readiness), *2011 Review of Imminent Danger Pay Area Designations* (Sept. 9, 2011).

¹³Department of Defense, U.S. Central Command Memorandum for Director, Joint Staff, *2011 Review of Imminent Danger Pay Area Designations* (June 5, 2012).

¹⁴U.S. Central Command Memorandum (Jan. 24, 2013); Director, Joint Staff Memorandum (Mar. 1, 2013).

¹⁵We provided the Department of Defense (DOD) with a draft copy of this report to review and comment on our findings and recommendations. During this review period, DOD acted on our recommendation to complete a review of imminent danger pay designations and subsequently issued its December 31, 2013, memorandum. The memorandum terminated imminent danger pay designations in the following locations, effective June 1, 2014: the nine land areas of East Timor, Haiti, Liberia, Oman, Rwanda, Tajikistan, the United Arab Emirates, Kyrgyzstan and Uzbekistan; the six land areas and airspace above Bahrain, Kuwait, Qatar, Saudi Arabia, Serbia and Montenegro; any area not recertified elsewhere in the memo within Malaysia and Indonesia; the four water areas of the Arabian Sea, the Gulf of Aden, the Gulf of Oman, and the Red Sea; and the water area and air space above the Persian Gulf. See Under Secretary of Defense (Personnel and Readiness) Memorandum (Dec. 31, 2013).

Figure 1: Timeline of DOD's Review of Imminent Danger Pay in CENTCOM's Area of Responsibility



Source: GAO analysis of DOD memorandums.

In its January 2013 memorandum CENTCOM recommended that imminent danger pay be terminated, effective October 1, 2013 (the start of fiscal year 2014), for the Arabian Sea, Bahrain, Egypt (except the Sinai Peninsula), the Gulf of Aden, the Gulf of Oman, Jordan, Kuwait, Kyrgyzstan, Oman, the Persian Gulf, Qatar, Saudi Arabia, Tajikistan, the United Arab Emirates, and Uzbekistan.¹⁶ CENTCOM had earlier identified inconsistencies between the intent for imminent danger pay and the current conditions in the region, such as the force protection conditions and DOD decisions to allow families to live in locations DOD has designated as imminent danger pay areas.¹⁷ An official from the Office of the Under Secretary of Defense for Personnel and Readiness stated that allowing families to live in locations designated as an imminent danger area is atypical. Nonetheless, DOD has provided family housing in many imminent danger pay areas in the Middle East and Southwest Asia including in Bahrain, Egypt, Jordan, Kuwait, Oman, Qatar, and the United Arab Emirates. For example, the Army paid for 26 housing leases in Kuwait and Qatar in fiscal year 2012, with plans to increase the number of leases to 77 from fiscal years 2014 through 2018. DOD also sponsors a school for service members' dependents in Bahrain.

DOD's Revised Guidance for Reviewing Imminent Danger Pay Area Designations Does Not Provide Specific Time Frames

DOD Instruction 1340.09, *Hostile Fire Pay and Imminent Danger Pay* establishes policy, assigns responsibilities, and prescribes procedures governing the administration of special pay for duty subject to hostile fire or imminent danger. The guidance states that

¹⁶CENTCOM recommended a "grandfather" approach to ensure those service members already assigned or attached prior to October 1, 2013, would not experience any sudden financial burdens.

¹⁷*Information Paper: USCENTCOM Entitlements Recommendations* (internal Department of Defense analysis) (Jan. 14, 2013).

at the periodic request of the Principal Deputy Under Secretary of Defense for Personnel and Readiness, through the Chairman of the Joint Chiefs of Staff, Combatant Commanders shall complete assessments for each imminent danger pay designated area in their areas of responsibility, which shall be forwarded to the Chairman of the Joint Chiefs of Staff for consideration.¹⁸ The Chairman of the Joint Chiefs of Staff is to evaluate these assessments and make recommendations to the Principal Deputy Under Secretary of Defense for Personnel and Readiness for continuation, modification, or termination of the designations.¹⁹

We last reviewed imminent danger pay in 2006 and found that DOD was not conducting reviews of imminent danger pay area designations annually in accordance with its guidance at the time. We subsequently recommended that DOD conduct reviews in accordance with the guidance and, if necessary, update the guidance to reflect the appropriate time period for conducting these reviews.²⁰ DOD partially concurred with our recommendation and in its written comments stated that a biennial review was the appropriate time frame for conducting comprehensive reviews of areas designated for imminent danger pay. However, when DOD modified DOD Instruction 1340.09 in 2010, it did not specify biennial reviews and instead removed any specific time frame for conducting imminent danger pay reviews, opting instead for unspecified “periodic” reviews. Specifically, DOD Instruction 1340.09 now requires Combatant Commanders to monitor the conditions within imminent danger pay areas to determine whether circumstances warrant continuation of imminent danger pay designations and to promptly forward written recommendations for modification or termination to the Chairman of the Joint Chiefs of Staff.²¹ It also calls on them to provide imminent danger area assessments “[i]n response to the periodic request” of the Principal Deputy Under Secretary of Defense for Personnel and Readiness.²² However, since DOD’s Instruction neither specifies the frequency with which the reviews should be conducted nor specifies the time frames by which the reviews must be completed by the Office of the Under Secretary of Defense for Personnel and Readiness, no requirement exists in the guidance to make final determinations on a timely basis on whether to accept or reject the recommendations of the geographic Combatant Commanders and render a final decision about the continuation of imminent danger pay.

Standards for Internal Control in the Federal Government calls for clear policies and procedures to help agencies use resources effectively and efficiently to meet organizational and program objectives. Moreover, the standards emphasize the

¹⁸DODI 1340.09, encl. 2, para. 3 (Apr. 20, 2010).

¹⁹See *id.*, encl. 1, paras. 3.a and 3.b, and encl. 2, para. 3.

²⁰GAO, *Military Personnel: Actions Needed to Strengthen Management of Imminent Danger Pay and Combat Zone Tax Relief Benefits*, [GAO-06-1011](#) (Washington, D.C.: Sept. 28, 2006).

²¹See DODI 1340.09, encl. 1, para. 4.b (Apr. 20, 2010). See also *id.*, encl. 2, para. 3.

²²See *id.*, encl. 1, para. 4.c. See also *id.*, encl. 2, para. 3 (requiring Combatant Commanders to complete assessments “[a]t the periodic request” of the Principal Deputy Under Secretary of Defense for Personnel and Readiness).

importance of management-led reviews and the assurance that the findings of such reviews are promptly resolved.²³ Until DOD addresses the absence of clear procedures and policies specifying time frames for the Office of the Under Secretary of Defense for Personnel and Readiness to complete reviews of imminent danger pay area designations and render final decisions, DOD may spend millions of dollars annually on imminent danger pay in CENTCOM's area of responsibility when this pay may not be warranted.

Conclusions

Imminent danger pay is designed to provide special pay to military service members who are assigned to or on temporary duty in certain international areas that DOD has designated as dangerous because of the threat of physical harm or imminent danger. Since 2010, DOD has obligated more than \$1 billion in imminent danger pay in the CENTCOM area of responsibility. Conditions in a region can change and the department's guidance requires monitoring of conditions and a periodic review of imminent danger pay designations to ensure that imminent danger pay area designations are still appropriate. However, after completing a review of imminent danger pay in 2007, DOD had not completed its subsequent review as of December 20, 2013, when we provided the department a draft of this report, which could have resulted in DOD spending millions of dollars unnecessarily. Unnecessary expenditures could recur unless the Office of the Under Secretary of Defense for Personnel and Readiness specifies time frames for completing timely reviews of imminent danger pay area designations and renders prompt decisions on its findings.

Recommendations for Executive Action

To ensure that DOD expends its resources judiciously, we recommend that you direct the Under Secretary of Defense for Personnel and Readiness to take the following two actions:

1. expeditiously complete the current review of the imminent danger pay area designations in CENTCOM's area of responsibility and decide whether to adopt CENTCOM's pending recommendations to terminate imminent danger pay in many locations within the CENTCOM area of responsibility and
2. revise DOD Instruction 1340.09, *Hostile Fire Pay and Imminent Danger Pay*, to include specific time frames for completing periodic reviews of imminent danger pay area designations.

²³[GAO/AIMD-00-21.3.1](#).

Agency Comments and Our Evaluation

We provided a draft of the report to DOD for review and comment. In an email received on January 15, 2014, the Director of Military Compensation stated that DOD agreed with our first recommendation but disagreed with our second recommendation. In response to our recommendation that DOD expeditiously complete its review of imminent danger pay, DOD subsequently completed its review by recertifying and terminating imminent danger pay designations for certain locations in the CENTCOM area of responsibility. DOD did not agree with our recommendation that the department establish a time frame for conducting and completing reviews of imminent danger pay. In response to our first recommendation, DOD noted that the Acting Under Secretary of Defense for Personnel and Readiness signed a memorandum on December 31, 2013, recertifying and terminating imminent danger pay designations worldwide to take effect on June 1, 2014. DOD stated that the department recertified and terminated imminent danger pay consistent with the recommendations made by CENTCOM in January 2013. DOD officials subsequently stated that they projected that the recertification and termination of imminent danger pay designations worldwide would save the department about \$150 million per year based on 2014 deployment levels. We believe that this action satisfies the intent of our recommendation. Thus, we have updated this report to reflect the department's actions related to completing its review of imminent danger pay designations and rendering its decision on December 31, 2013.

DOD did not concur with our second recommendation that the department include a time frame in its guidance for completing periodic reviews of imminent danger pay. DOD stated that an additional reporting requirement would be redundant because the Combatant Commanders are already directed to monitor the conditions within imminent danger pay areas and to promptly forward recommendations for modification. Our intent is not to recommend that DOD establish an additional reporting requirement but rather that DOD establish specific time frames for the process already in place to conduct and complete reviews of imminent danger pay designations. DOD further stated the department is studying ways of tying imminent danger pay designations to specific conditions, such as the absence of family members in a location. The identification of conditions relevant to imminent danger pay may be beneficial by helping inform DOD's decisions of whether to continue or terminate imminent danger pay in a specific location. However, the identification of these conditions should not preclude DOD from establishing a specific time frame by which the department will conduct and complete these reviews. As noted, DOD's guidance currently requires a periodic review of imminent danger pay designated locations. Nearly 6 years have elapsed since DOD last completed its last review of imminent danger pay in 2007. Had DOD conducted and completed its review of imminent danger pay more timely, DOD could have potentially increased its savings by not funding imminent danger pay in areas that might not warrant the continuation of this designation. For example, DOD officials subsequently stated that they estimated that the department would have saved \$150 million in imminent danger pay costs had the termination and recertification of imminent danger pay taken effect on October 1, 2013, as recommended by CENTCOM and the Joint Staff. However, DOD did not act on the recommendation until late 2013, ultimately

terminating imminent danger pay designations effective June 1, 2014. This 8-month delay reduced the projected savings for fiscal year 2014 to approximately \$50 million. In accordance with the *Standards for Internal Control*, we continue to believe that the department should revise its guidance to incorporate time frames for conducting and completing reviews of imminent danger pay designations to ensure these reviews are completed on a timely basis to avoid potentially costly delays in decision making.

We are sending copies of this report to appropriate congressional committees. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3489 or pendletonj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report include Guy LoFaro, Assistant Director; James Ashley; James Krustapentus; James Lloyd III; Michael Shaughnessy; and Sam Wilson.

Sincerely yours,

A handwritten signature in black ink that reads "John H. Pendleton". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

John H. Pendleton
Director
Defense Capabilities and Management

(351889)

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